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When it comes to Peru, most discussion of the 'natural resource curse' has largely been concerned with the country's mining sector. However, oil and gas resources are being rapidly developed throughout the country, including in the Amazon regions where more than 70 percent of non-protected lands have been allocated for oil and gas exploration.

In this context, the international Extractives Industries Transparency Initiative (EITI) is often held up as an indirect means to improve the future welfare of communities and the environment exposed to an emerging oil frontier in the Amazon. The EITI was launched at the World Summit on Sustainable Development in Johannesburg (2002) by Tony Blair who highlighted the need for 'good governance' as central to achieving sustainable development. To this end, the EITI aims to verify and publish all payments made by extractives companies, on the one hand, and all government revenues derived from the oil, gas and mining sector on the other. Proponents argue that if full transparency is achieved, then this will improve a country's credibility among foreign investors, while empowering civil society groups to accurately investigate and question their government's management of natural resource revenues.

Peru has been an EITI candidate country since 2007, and, according to the Revenue Watch Institute, "performs much better" than many oil-rich nations in terms of the transparency of energy revenues, and efficacy of how they are spent. Nevertheless, progress towards full EITI compliance has been slow, especially with regards to contract transparency, payments of corporate income tax and business contributions to social spending at the local level. In 2010 Peru requested, and was granted, an extension on the deadline for completing the validation process for EITI membership. At the time of writing, the Peruvian government had submitted a finalised validation report to the EITI which is currently under review.

Regarding the revenue transparency of specific projects, most attention has focused on Camisea – the flagship project in Peru's new oil and gas frontier, located in the ecologically sensitive and relatively unpopulated lower Urubamba valley. In 2004 the federal government accepted an offer from a consortium of foreign companies to pay a 37.24 percent share of the royalties (projected to generate an average of US$230m - £143m - a year), of which half would go directly to the Cuzco region, as well as US$90m (£56m) in tax revenue for the federal government.

Nonetheless, Camisea remains the focus of much critical attention, in part due to natural gas spills caused by a poorly constructed pipeline, but also over the distribution of industry revenues. Between 2004 and 2009, Camisea generated approximately US$1.13 billion (£700m) in revenues for local governments. However, according to a report entitled 'People, Power and Pipelines' published by Oxfam in 2010, these local governments lacked both the capacities and capabilities to manage such large and rapid revenue flows, meaning that the provision of basic needs and poverty reduction for surrounding communities has not been achieved.

Some oil and gas companies operating in Peru, mostly the larger ones such as Repsol-YPF, have signed up to the EITI. However, the majority of exploration, test-drilling and production is conducted by smaller independent companies, such as Perenco and Hunt Oil. While most of these companies state a commitment to 'Corporate Social Responsibility' (CSR), the fact that many remain privately held companies limits their legal obligations to publish facts and figures about their operations. Given the rapidly increasing role and contribution of the oil and gas industry in driving economic growth, the issue of transparency in decision making processes and operations, as well as revenues, has become a major issue in Peru. Indeed, one of the fundamental causes of conflict in the Peruvian Amazon has been the government's failure to insist upon free, prior and informed consent with local communities living within proposed oil and gas blocks, prior to their sale. To date, formal consultation has only taken place after the fact. This inevitably leads to distrust and resentment, as experienced with the Achuar living in Block 64 in Loreto and the Amarakaeri Reserve in Block 76 where grievances over the way oil and gas projects have been initiated and managed are often shaping local politics.

It is fair to say that some progress has been made in Peru with regard to strengthening the capacity of local communities to engage effectively in natural resource extraction projects. For example, the government's 'Hydrocarbons Internship Programme' set up in 2005, is targeted at training young individuals from indigenous communities in order "to strengthen the participants' skills and knowledge regarding hydrocarbon activities, the environment and legal regulations". While such capacity-building initiatives are generally welcomed, the government is often criticised for doing too little, too late.

The Peruvian government's position vis-à-vis the expansion of Amazonian oil and gas resources is derived from an optimistic view of export-led revenue generation as a means of inducing economic growth and development. While many argue that this is a flawed model, Peru has the ability to manage its macro-level resource curse risks through sound fiscal management and the minimisation of 'rent-seeking' behaviour. However, it is likely to prove far harder to tackle the micro-level risks, in particular the risk of social conflict caused by local grievances about the way in which oil and gas projects are proposed and managed.

At the same time, the government appears keen to follow international leadership on 'good governance', in large part because it depends almost solely on foreign capital and expertise to develop its oil and gas resources. But reliance on CSR initiatives and voluntary transparency agreements is unlikely to offset political opposition to the government's liberal economic agenda, or address pressing development needs including job creation and poverty reduction for those at the bottom. Here, Peru can learn the lessons arising from the Camisea project. While significant proportions of the natural gas revenue stream have been directed to local governments in a relatively transparent manner, shortcomings in the way these funds have been distributed and managed serve to underline the importance of ensuring institutional 'readiness' and capacity building in order for these resources to have a positive impact on the ground.